

AMENDED IN SENATE APRIL 5, 2010

**SENATE BILL**

**No. 1272**

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**Introduced by Senator Wolk**

February 19, 2010

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An act to ~~amend Section 23151 of~~ *add Section 40 to* the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 1272, as amended, Wolk. ~~Corporation taxes. Income and corporation taxes: credits: information and operative limitations.~~

*Existing law imposes various taxes and allows specified credits, deductions, exclusions, and exemptions in computing those taxes.*

*This bill would, for taxable years beginning on or after January 1, 2011, require any bill that would authorize a personal income or corporation tax credit to contain, among other provisions, (1) specified goals, purposes, and objectives that the tax credit will achieve, (2) detailed performance indicators to measure whether the tax credit is meeting those goals, purposes and objectives, and (3) a requirement that the tax credit cease to be operative 5 years after its enactment date, as specified.*

~~The Corporation Tax Law requires every corporation, except as provided, to pay a tax according to or measured by its net income or, if greater, a specified minimum tax.~~

~~This bill would make technical, nonsubstantive changes to those provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. The Legislature finds and declares the following:*

2     *(a) Government at all levels enact tax preferences to promote*  
3     *equity among taxpayers and enhance economic growth in a way*  
4     *that is inexpensive to administer and provide direct benefits to*  
5     *taxpayers.*

6     *(b) National and state public finance experts recommend that*  
7     *tax preferences be evaluated alongside direct spending programs,*  
8     *as both are public initiatives meant to accomplish specified goals.*

9     *(c) Revenue losses attributable to federal tax preferences exceed*  
10    *any other category of federal spending, including defense,*  
11    *Medicaid and Medicare, Social Security, debt service, or*  
12    *discretionary spending.*

13    *(d) California now forgoes more than \$41 billion in revenue*  
14    *from tax preferences, according to the Department of Finance.*

15    *(e) Many current tax preferences contain neither sunset*  
16    *provisions, nor goals and objectives to measure the performance*  
17    *of the tax preference.*

18    *(f) Many current tax preferences neither require taxpayers to*  
19    *submit data demonstrating the tax preference's effectiveness, nor*  
20    *for state agencies to collect and send data to the Legislature to*  
21    *evaluate the tax preference.*

22    *(g) The Legislature should apply the same level of review and*  
23    *performance measure that it applies to spending programs to tax*  
24    *preference programs, including tax credits.*

25    *SEC. 2. Section 40 is added to the Revenue and Taxation Code,*  
26    *to read:*

27    *40. Notwithstanding any other law, any bill that would, for*  
28    *taxable years beginning on or after January 1, 2011, authorize a*  
29    *credit against the "net tax," as defined in Section 17039, or against*  
30    *the "tax," as defined in Section 23036, or both, shall contain all*  
31    *of the following:*

32    *(a) Specific goals, purposes, and objectives that the tax credit*  
33    *will achieve.*

34    *(b) Detailed performance indicators for the Legislature to use*  
35    *when measuring whether the tax credit meets the goals, purposes,*  
36    *and objectives stated in the bill.*

37    *(c) Data collection requirements to enable the Legislature to*  
38    *determine whether the tax credit is meeting, failing to meet, or*

1 *exceeding those specific goals, purposes, and objectives, including*  
2 *the specific data to be collected and remitted, and the specific*  
3 *taxpayers, state agencies, or other entities required to collect and*  
4 *remit data.*

5 *(d) A requirement that the tax credit shall cease to be operative*  
6 *five years after its enactment date, and as of that date is repealed.*

7 SECTION 1.— Section 23151 of the Revenue and Taxation Code  
8 is amended to read:

9 23151. (a) ~~With the exception of banks and financial~~  
10 ~~corporations, every corporation doing business within the limits~~  
11 ~~of this state and not expressly exempted from taxation by the~~  
12 ~~California Constitution or by this part, shall annually pay to the~~  
13 ~~state, for the privilege of exercising its corporate franchises within~~  
14 ~~this state, a tax according to or measured by its net income, to be~~  
15 ~~computed at the rate of 7.6 percent upon the basis of its net income~~  
16 ~~for the next preceding income year, or if greater, the minimum tax~~  
17 ~~specified in Section 23153.~~

18 ~~(b) For calendar or fiscal years ending after June 30, 1973, the~~  
19 ~~rate of tax shall be 9 percent instead of 7.6 percent as provided by~~  
20 ~~subdivision (a).~~

21 ~~(c) For calendar or fiscal years ending in 1980 to 1986, inclusive,~~  
22 ~~the rate of tax shall be 9.6 percent.~~

23 ~~(d) For calendar or fiscal years ending in 1987 to 1996,~~  
24 ~~inclusive, and for any income year beginning before January 1,~~  
25 ~~1997, the tax rate shall be 9.3 percent.~~

26 ~~(e) For any income year beginning on or after January 1, 1997,~~  
27 ~~the tax rate shall be 8.84 percent. The change in rate provided in~~  
28 ~~this subdivision shall be made without proration otherwise required~~  
29 ~~by Section 24251.~~

30 ~~(f) (1) For the first taxable year beginning on or after January~~  
31 ~~1, 2000, the tax imposed under this section shall be the sum of~~  
32 ~~both of the following:~~

33 ~~(A) A tax according to or measured by net income, to be~~  
34 ~~computed at the rate of 8.84 percent upon the basis of the net~~  
35 ~~income for the next preceding income year, but not less than the~~  
36 ~~minimum tax specified in Section 23153.~~

37 ~~(B) A tax according to or measured by net income, to be~~  
38 ~~computed at the rate of 8.84 percent upon the basis of the net~~  
39 ~~income for the first taxable year beginning on or after January 1,~~  
40 ~~2000, but not less than the minimum tax specified in Section 23153.~~

1     ~~(2) Except as provided in paragraph (1), for each taxable year~~  
2     ~~beginning on or after January 1, 2000, the tax imposed under this~~  
3     ~~section shall be a tax according to or measured by net income, to~~  
4     ~~be computed at the rate of 8.84 percent upon the basis of the net~~  
5     ~~income for that taxable year, but not less than the minimum tax~~  
6     ~~specified in Section 23153.~~